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MANUFACTURERS HANOVER

Financial Digest

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Analysis of Business Trends Plus Selected Financial Indicators

More Super Bowl Stats:

Next Sunday's Super Bowl XXI will see the Denver Broncos and New York Giants clash on the playing field, each team using a different strategy to win the coveted Super Bowl rings. And like their teams' dissimilar approaches to football, New York and Denver are prime examples of how each U.S. city utilizes a different game plan to play the game of economic growth. A comparison of New York's and Denver's differing economies illustrates that, although the U.S. as a whole is still growing, some cities are picking up yardage while others are being sacked for a loss.

In the New York-New Jersey-Connecticut area that the Giants (who play in East Rutherford, NJ) represent, growth has been paced largely by the financial and services sectors the same industries that have powered the current U.S. economic expansion. Without a doubt, New York is the financial capital of America, if not the world. With one of every seven people employed in finance, and one of every three workers in the consumer or business services field, New York City has demonstrated how the trend toward a services-producing economy can generate jobs. In the first ten months of 1986 alone, the New York region added 135,000 jobs to its payrolls and lowered its unemployment rate by 1½ percentage points.

This job expansion has supported other favorable economic trends, especially in construction. Midtown and downtown Manhattan and Long Island, NY, have some of the lowest office vacancy rates in the U.S. Construction over most of the region is brisk. The $1.5 billion World Financial Center in downtown Manhattan is nearing completion, and ground was broken recently for the first major office building in Brooklyn in 25 years. Projects in New Jersey are rising from the waterfront development of Hudson County to a $130 million project in Princeton. Retail sales in the New York City region were up 9.1 percent in October from a year ago. And total business activity as measured by the New York State Department of Commerce is up 3.7 percent in New York City and up 7.8 percent in nearby Long Island.

How New York And Denver Match Up . . .

In contrast, Denver's economy has seen Colorado's energy sector flattened harder than a running back hit by an entire defensive line. Operating rigs in the state shut down at a pace of almost four a month during 1986. Employment in Denver's oil and gas extraction industry fell by 13.4 percent in just a year. At the same time, Denver's unemployment rate rose by more than two percentage points, and total nonagricultural payrolls shrunk by 1,000 jobs.

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SUPER BOWL RESULTS AND STOCK MARKET ACTIVITY

Year	Winner	Original Conference	Percent Change from End of Previous Year	
			Dow Jones Industrials	Standard & Poor's 500
1967	Green Bay Packers	NFC	15.2	20.1
1968	Green Bay Packers	NFC	4.3	7.7
1969	New York Jets	AFC	−15.2	−11.4
1970	Kansas City Chiefs	AFC	4.8	−0.1
1971	Baltimore Colts	NFC*	6.1	10.8
1972	Dallas Cowboys	NFC	14.6	15.8
1973	Miami Dolphins	AFC	−16.6	−17.5
1974	Miami Dolphins	AFC	−27.6	−29.6
1975	Pittsburgh Steelers	NFC*	38.3	31.5
1976	Pittsburgh Steelers	NFC*	17.9	19.1
1977	Oakland Raiders	AFC	−17.3	−11.5
1978	Dallas Cowboys	NFC	−3.1	1.1
1979	Pittsburgh Steelers	NFC*	4.2	12.3
1980	Pittsburgh Steelers	NFC*	14.9	25.8
1981	Oakland Raiders	AFC	−9.2	−9.7
1982	San Francisco 49ers	NFC	19.6	14.8
1983	Washington Redskins	NFC	20.3	17.3
1984	Los Angeles Raiders	AFC	−3.7	1.4
1985	San Francisco 49ers	NFC	27.7	26.3
1986	Chicago Bears	NFC	22.6	14.6

*Baltimore (now Indianapolis) and Pittsburgh are now members of the AFC.

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The Denver metropolitan area, which accounts for 60 percent of Colorado's economy, has also been hurt by problems in manufacturing and agriculture. Colorado's high-tech industries have been in a slump since 1985, and manufacturers of computer equipment are building only a portion of their finished products in the U.S., as more and more subassemblies are being shipped in from overseas. The continued fall in prices for corn and wheat has reduced the value of those farm crops. And lower consumption of red meat by the U.S. population has reduced the demand for the state's major agricultural product, livestock.

. . . On The Economic Playing Field

Understandably, the declines in energy and manufacturing have contributed to the problems in Denver's overbuilt real estate market. Leasing of office space in the Denver metro area during the first half of 1986 was down by 41 percent over the first half of 1985. The vacancy rate for office buildings skyrocketed from 0.1 percent in 1981 to almost 30 percent currently. Non-residential construction permits have trended downward, and the construction industry has lost 4,700 jobs.

However, despite these energy-related prob-

Short Term Paper Outstanding

(Millions of Dollars)

Time Deposits of $100,000 or more Weekly Reporting Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (12/31/86)	154,421	+ 491	– 10,181
New York City (1/7/87)	35,635	+ 379	– 1,699
Commercial Paper			
(1/7/87)	332,063	+ 6,115	+ 35,812

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (12/31/86)	288,846	+12,657	+28,656
New York City (1/7/87)	67,488	– 76	+ 7,839

Total Loans and Leases Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (12/31/86)	795,262	+13,729	+68,348
New York City (1/7/87)	174,924	+ 1,888	+12,833

Financial Markets

	Friday 1/16/87	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills †	5.48%	– .02	– 1.85
180-Day Bills †	5.58	– .06	– 2.00
Longest Bills †	5.67	– .05	– 2.08
Recent Issues:			
61/4S 12/31/88	6.16	+ .01	
65/8S 12/31/90	6.51	– .08	
71/4S 11/15/96	7.01	+ .02	
71/2S 11/15/16	7.33	+ .05	
Municipals:			
Bond Buyer–20 Bond Index* (1/15/87)	6.65%	– .05	– 1.45
Blue List Total ($ Million)	$1,736	– $ 146	+$ 298
30-Day Visible Supply ($ Million)	$3,202	+ $1,637	+$2,257
Total	$4,938	+ $1,491	+$2,555
Corporates:			
Moody's Aa Composite (1/15/87)	8.84%	– .08	– 1.73
30-Day Visible Supply ($ Million)	$2,165	– $ 523	+$ 855
Stocks:			
Dow-Jones Averages:			
Industrials	2,076.63	+ 70.72	+539.93
Transportation	872.21	+ 18.29	+155.57
Utilities	222.82	+ 3.85	+ 50.07
65 Stocks	802.48	+ 22.39	+187.46
N.Y.S.E. Composite Index	152.21	+ 3.82	+ 31.88
N.Y.S.E. Avg. Daily Vol. for Week (000's)	208,158	+ 18,238	+58,548

*46% Taxable equivalent 12.31%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 1/16/87	Week Ago
Overnight	5.88%	5.81%
1 month	6.06	6.00
3 month	6.06	6.00
6 month	6.00	5.94
1 year	6.06	6.00
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	7.13%	7.17%
Long Term (7 to 15 yrs.)	7.93	7.97

FOREIGN EXCHANGE SPOT RATES

New York Opening (1/16/87)	U.S. $ Equivalent	Currency Per U.S. $
Canada	.7329	1.3644
France	.1621	6.1700
Germany	.5391	1.8549
Italy	.0007582	1319.00
Japan	.006486	154.18
Mexico	.001056	947.20
Switzerland	.6464	1.5470
U.K.	1.5060	.6640

MH TRADE-WEIGHTED DOLLAR* (1/16/87)	Change Since Week Ago	Change Since 2/27/85
	–0.8%	–7.7%

*Adjusted for Inflation

lems, Denver has a much better economic field position than oil-dominated cities like Houston. Only two percent of Denver's labor force is involved in mining; only 18 percent of its office space is occupied by energy companies. Denver's economy is much more dependent upon its central location in the West, which enables the city to be a major distribution and transportation center in that region. Financial and services jobs have captured an increasing share of Denver's employment. One of every four Denver workers now holds a job in a services industry; one in 12 is in finance.

And what other economic significance does the Super Bowl have, besides the estimated $70 to $100 million fans will spend in Southern California next weekend? One theory holds that when the National Football Conference team wins, the stock market has a good year. In 19 of the 20 Super Bowl years, when the winner was a team in the NFC, the stock market rose; if an AFC team won, the stock market fell (see table on page 1). If the Giants win, the market should continue to rise, according to this "theory." However, if the Broncos prevail, watch out for the bears on Wall Street. ■

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 1/14/87	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	211.096	– 1.852	+22.185
Loans to Depository Inst.	.311	– .387	– .304
Float	.767	– .201	– .261
Total Reserve Bank Credit	229.062	– 2.432	+23.972
Treasury Deposits with Federal Reserve Banks	4.306	– 1.653	– .726
Currency in Circulation	208.808	– 2.417	+14.759
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	163.606	– 1.909	+37.094
	1/14/87		
Member Bank Reserves:			
Total Reserves Held	60.196	+ 1.204	+11.560
Excess (Deficiency)	.707	– 1.396	– .569
Net Free Reserves	.416	– .783	+ .758

Monetary Aggregates †		% Change Since 3 Months' Ago*	% Change Since Year Ago
M1 (1/7/87)	749.3	+ 23.5‡	+ 17.2‡
M2 (December '86)	2,804.3	+ 9.3	+ 9.2
M3 (December '86)	3,488.6	+ 7.4	+ 9.0
Domestic Nonfinancial Debt (2nd Q'86)	7,181.0	+ 11.5	+ 13.1

†Seasonally adjusted.

*Seasonally adjusted annual rate.
‡Four-week moving average.

New York Money Market

Offering Rates 1/16/87	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	5.37%	5.40%	5.44%
* Federal Agencies	5.57	5.56	5.56
* Municipal Notes–High Grade (46% Taxable Equivalent)	5.55	6.02	6.48
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market–Prime	5.85	5.80	5.90

‡Finance Company Paper–Prime

5- 14 days	5.85%
15- 29 days	5.88
30- 59 days	5.85
60- 89 days	5.83
90-179 days	5.78
180-239 days	5.73
240-270 days	5.73

‡* Bankers' Acceptances

Feb.	5.80%
Mar.	5.75
Apr.	5.70
May	8.65
Jun.	5.63
Jul.	5.60

‡Industrial Paper–Prime

30- 89 days	5.83%
90-120 days	5.77

†Federal Funds Effective Rate 9.0%

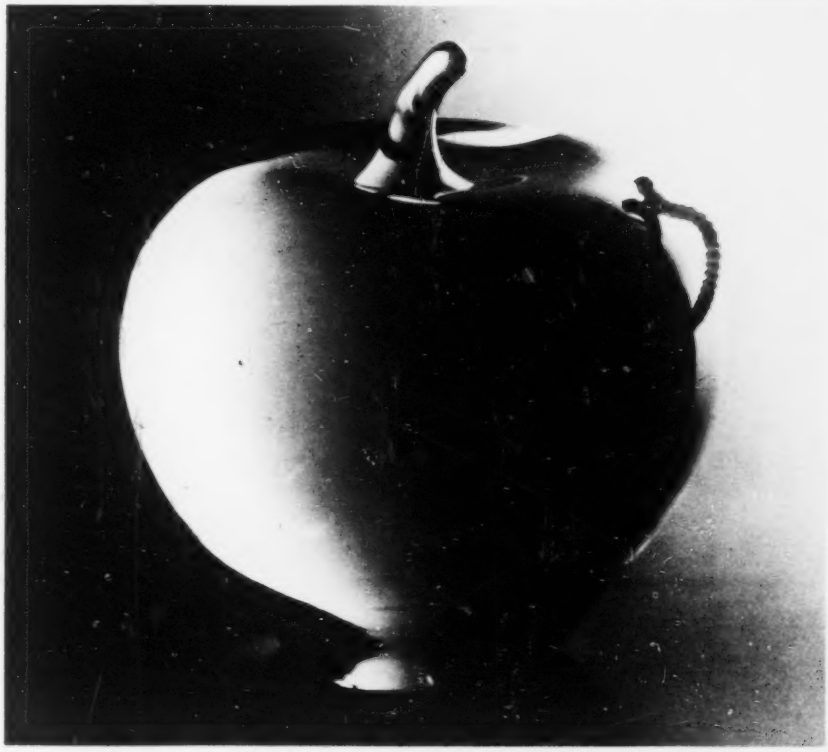
‡Discount basis. *Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	3rd Q'86	$ 4,241	$ 4,176	$ 4,031
Gross National Product (1982 Dollars)*	3rd Q'86	$ 3,686	$ 3,661	$ 3,604
Percent Change, Annual Rate	3rd Q'86	2.8	0.6	4.1
Change in Consumer Prices*	Nov '86	3.6%	2.4%	7.2%
Change in Producer Prices*	Dec '86n	0.0%	2.4%	7.2%
Civilian Employment (Thousands of Persons) †	Dec '86n	110,637	110,432r	108,149r
Unemployment as % of Civilian Labor Force†	Dec '86n	6.7%	6.9%r	7.0%r
Personal Income*	Nov '86	$ 3,531	$ 3,520	$ 3,372
Leading Indicator Composite Index (1967=100)†	Nov '86	182.5	180.4	171.6
Industrial Production Index (1977=100) †	Dec '86n	126.6	126.0r	125.6
Net Change in Consumer Installment Credit †	Nov '86n	$ 4.02	$ 7.21r	$ 5.64
U.S. Merchandise Trade Balance	Nov '86	–$ 19.22	–$ 14.71	–$ 12.78
Plant and Equipment Expenditures*	1st Q'87	$386.82(a)	$394.34(a)	$377.94
Private Housing Starts (Thousands of Units)*	Nov '86	1,598	1,628	1,654
New Construction Expenditures*	Nov '86n	$ 377.0	$ 379.7r	$ 357.6
Total Business Inventories †	Nov '86n	$ 590.6	$ 591.6r	$ 582.7
Total Business Sales †	Nov '86n	$ 437.1	$ 435.8r	$ 431.0

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.



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